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United Nations Industrial Development Organization

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 18 May 1992, at 10 a.m.

Temporary President: Mr. TOFIGH (Islamic Republic of Iran)
President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 10.45 a.m.

OPENING OF THE NINTH SESSION

1. The TEMPORARY PRESIDENT declared open the ninth session of the Industrial Development Board.

2. The 1990s would be a decade of change, during which new problems, needs and issues would arise, calling for new solutions, ideas and structures. The more dramatic changes would include the transition to a market economy, the privatization of State enterprises and rearrangements in trade. The world was experiencing a globalization of industrial production and financial markets, while at the same time there was an uneven distribution of employment, income and population among the developed and the developing countries. Those differences would affect the ability of the various countries to deal with environmental, economic, social and technological stresses and opportunities.

3. Major recent developments included the end of the Gulf crisis, the reunification of Germany, the separation of Eastern Europe from the former Soviet Union, the creation of independent republics in the former Soviet Union and political changes in Afghanistan. International organizations, and especially UNIDO, would have to play a greater role in the social and industrial rehabilitation of the countries embarking on a new existence. In particular, he appealed for increased assistance for Afghanistan. The newly independent countries of the former Soviet Union and the African countries also stood in urgent need of help.

4. After referring to the important decisions of the Copenhagen Conference on Economically Sustainable Industrial Development and the fourth session of the General Conference, he wished the new President every success in his work.

ELECTION OF OFFICERS

5. The TEMPORARY PRESIDENT said that he had received the following nominations: Mr. Cserveny (Hungary) for the post of President; Mrs. Machado Quintella (Brazil), Mr. El-Hussein (Sudan) and Mr. Clark (United Kingdom) for the three posts of Vice-President; and that of Mr. Damanpak Jami (Islamic Republic of Iran) for the post of Rapporteur. If he heard no objection, he would take it that the Board agreed to those nominations.

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6. The President, Vice Presidents and Rapporteur nominated were elected by acclamation.

7. Mr. Cserveny (Hungary) took the Chair.

8. The PRESIDENT thanked the members of the Board for the confidence they had shown in his country and himself by electing him President.

9. It was the Board's task to carry forward the message of the fourth session of the General Conference and to make a concrete response to the rapidly changing conditions in which UNIDO worked. The collapse of the communist system had opened real opportunities for democratization, a pluralistic society and the creation of a market economy. UNIDO was involved in a new game and must take the time to work out new rules that would enable it to operate within the new realities. It was therefore encouraging to note a growing recognition of the need to reform the United Nations system in general and UNIDO in particular. With a modern strategic, operational and administrative planning system, UNIDO should be able to establish priorities among its activities, identify strategic issues, project future scenarios and thereby become a centre of excellence in its field. To that end, the Board would have to offer guidance to the Secretariat that would enable it to link the strategies formulated to well-designed financial plans and budgets.

10. At the present session the Board would be called upon to approve the Director-General's recommendations for the posts of three Deputy Directors-General. The wide-ranging consultations that had been held showed that the top management now recognized that individuals had an increasingly important part to play in making UNIDO effective. The decision whether to approve the Director-General's recommendations would be the responsibility of the Board as a whole.

11. Success in plotting UNIDO's future course would depend on the willingness of the Board, the Secretariat and Member States to make a candid appraisal of its strengths and weaknesses and to recognize that the final evaluation must be made by those who were to benefit from the Organization's activities. Self-criticism was not easy, but he felt confident that all were ready to challenge old assumptions and to design a UNIDO adapted to changing conditions in the world.

ADOPTION OF THE AGENDA FOR THE NINTH SESSION (IDB.9/1)

12. The PRESIDENT invited the Board to consider the provisional agenda (IDB.9/1), on which he understood there was general agreement.

13. Mr. ONSY (Egypt), speaking on behalf of the Arab countries, proposed the addition of a new item 18 entitled "Information on one intergovernmental organization wishing to enter into agreement with UNIDO". The organization in question was the League of Arab States, which had been cooperating with UNIDO since before it became a specialized agency, and now wished to enter into a formal cooperation agreement.

14. The PRESIDENT said he took it that the Board approved the inclusion of the proposed new item.

15. It was so agreed.

16. Mr. ARASTOO (Islamic Republic of Iran) suggested that the wording of agenda item 4 should be amended to read: "UNIDO policies, UNIDO energy programme", which was the subject of document IDB.9/9.

17. The PRESIDENT said he took it that the Board approved that suggestion.

18. It was so agreed.

19. The provisional agenda (IDB.9/1), as amended, was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

20. Mr. SIAZON (Director-General), after welcoming Australia, which had recently returned to UNIDO, and Armenia, which had recently become a Member of the Organization, said that he would provide, first, an overview of the previous year's accomplishments; second, an update on the financial situation; and third, an outline of the agenda for 1992 and 1993.

21. Against a backdrop of rapid and radical change sweeping the globe, most developing countries continued to face myriad problems and hardship. As they went about the task of meeting those challenges, they were in greater need than ever before of access to markets, technology and finance. True global prosperity demanded that the developing countries - particularly those in Africa - should become full and equal partners in economic progress. Guided by that principle, UNIDO had continued to make its contribution to the process of industrial development and economic growth in the developing countries.

22. In 1991, technical cooperation deliveries had amounted to $147.5 million, down from the record high of $159.6 million in 1990. Nevertheless, the total for the two-year period represented an increase of 21 per cent as compared with 1988-1989. The drop in delivery in 1991 had been due to disruption caused by war or civil strife in some 20 programme countries, to a lower rate of project approval as the new UNDP successor arrangements began to take effect, and to the delayed payment of assessed contributions. Furthermore, the Organization had had to operate with a higher-than-normal vacancy factor in its regular budget. Overall project quality had, however, maintained the trend of the past five years, and it should also be noted that UNIDO was the most cost-effective of the European-based agencies.

23. In the field of industrial investment, UNIDO had promoted projects to the value of some $890 million in 1991, which, combined with the value of investment projects promoted by the Industrial Cooperation Centres in Moscow and Beijing, brought its total investment record in the past two years to over $2 billion. The success enjoyed by the Organization's investment promotion activities had led other cities, such as Montreal, to express an interest in the same approach as the private sector became aware of the benefits it could secure from UNIDO. Moreover, expansion of the Investment Promotion Service network continued apace, with new offices about to be set up in Athens and Lisbon, while cooperation with the World Bank and regional financial institutions was expanding.

24. Investment promotion and trust-fund activities had contributed to greater harmony

between countries that would not normally cooperate with one another for want of diplomatic ties. Furthermore, UNIDO's activities had contributed to the economic liberalization process in Viet Nam, and it hoped to put its experience to good effect in other economies in transition, in particular in Central and Eastern Europe and in Africa. Increased support was being given to the International Centre for Genetic Engineering and Biotechnology and he was pleased to report that UNIDO was applying for a patent to cover a substance - peptide OS which, it was hoped, could be used for a vaccine against hepatitis B - developed by scientists at the New Delhi component of the Centre. He hoped that countries which had not yet joined the Centre would now decide to do so.

25. Turning to the financial situation, he noted that UNIDO had been forced to adopt a very conservative policy, which had resulted in an underrun in the regular budget for 1990-1991 of the order of $2 million - the highest unexpended balance to date. One reason had been the fact that programmed activities could not be carried out because the cash had not been available at the time. Member States had agreed to UNIDO retaining the unutilized balance from earlier bienniums to facilitate the work of the Organization, thus providing it with much needed capital. A report on the matter by the External Auditor would shortly be available.

26. No such "savings" had been achieved in the operational budget in 1990-1991. On the contrary, because of higher salary costs and falling delivery rates, some $1.4 million of the total reserve and fund balance had had to be used in the biennium to maintain programme delivery. At the end of 1991, the balance had stood at $9.7 million, compared to $11 million at the end of 1989 and $7.4 million at the end of 1987. If 1991 had been difficult, 1992 and 1993 might well be even more so, primarily on account of the failure or inability of some Member States to pay their assessed contributions. That, coupled with the slow-down in UNDP project approvals and the delay in putting the successor arrangements into effect, did not bode well for the financial future of UNIDO.

27. The situation with respect to outstanding assessed contributions was distressing. As of 30 April, the Organization had been owed funds of the order of $98 million, more than the total budget for the current year, while as of 15 May, 46 Member States, including six members of the Board, had lost their right to vote. Cash deficits were expected for July, September and October. He might therefore have to accept once again, on an exceptional basis, partial payment of assessed contributions. Nevertheless, Member States seemed to assume that the Organization could continue to meet its programme delivery targets and even plan for expanded operations. In his view, no organization could function rationally in such an environment, and it might prove necessary at some stage to consider a system of incentives and disincentives in order to secure prompt payment of assessed contributions.

28. With hindsight, it might appear that the original operational income estimates for 1992 were a little high. However, the situation did not defy solution. In the first place, dependence on income from UNDP projects was diminishing, having dropped from 74 per cent in 1986 to 52 per cent in 1991. Secondly, other sources of operational income were growing, the share of trust funds having risen from close on 7 per cent to 21 per cent over the same period. Thirdly, UNIDO had an uncommitted operational budget reserve on which it could draw, and fourthly, it had enjoyed some success in its endeavours to keep expenditure in line with expected income. In the final analysis, the solution to the Organization's financial predicament depended on Member States fulfilling their constitutional obligations, and he appealed to them once again to pay their assessed contributions in full and on time.

29. Turning to the Organization's agenda for the present and the immediate future, he said that the mood of revival permeating the United Nations system was also being felt in the specialized agencies, whose role as centres of excellence was seen to be increasingly important. UNIDO was one agency where specialization and excellence would be keys to survival. Political decisions would thus be necessary in order to establish a clear order of priorities for the Organization's activities. Crucial to that debate would be the advice given the previous year by the Special Advisory Group, on the strategy mix proposed for UNIDO as part of its vision for the future. That mix had consisted of three elements: normative activities, policy support and consultancy. The normative strategy had emphasized the formulation of internationally agreed concepts, norms and guidelines as well as provision of comparative information and analyses in critical areas of cross-country relevance. The policy support strategy had aimed at providing advisory services, primarily to Governments, in the framework of specific projects and generally on a cost-coverage basis. The consultancy strategy had been directed at strengthening the position of UNIDO within the United Nations system as a provider of services to public and private industry on a cost-plus basis.

30. Critical to that strategy would be the relationship between UNIDO and UNDP in the context of the tripartite system of cooperation, to which the Organization fully subscribed. It was also intent on ensuring close cooperation in the field, through its Country Directors, who were integral members of the UNDP field offices and acted as Deputy UNIDO Representatives. Yet their very position was threatened by a probable reduction in the number of UNDP-financed posts and the shortfall in operational budget funding. Hence the proposal that in future Member States should consider financing a number of UCD posts from the regular budget of UNIDO.

31. UNIDO supported the efforts by the new Secretary-General of the United Nations to secure unified United Nations country offices. At the first ACC meeting chaired by the Secretary-General the previous month, it had, however, been pointed out that it would only be realistic for UNDP to act as a field coordinator in the United Nations development system as long as the Programme itself remained a funding source and coordinating body, and not an active executing agency intent upon competing with the specialized agencies it was supposed to coordinate - a state of affairs that was clearly not conducive to effective coordination.

32. It would help the Organization immensely if Member States were to ensure that their decisions in the different governing bodies of the United Nations were consistent with each other.

The need for coordination would also come to the fore when the United Nations and UNDP opened their six unified offices in the Commonwealth of Independent States.

33. A further element in the future agenda was the organizational restructuring of UNIDO. In the immediate future, he intended to put into effect a number of organizational changes designed to streamline operations in the Secretariat. Those changes would largely involve the Department for Industrial Promotion, Consultations and Technology. The two technology divisions in the Department would be reunited and the Industrial Investment Division would acquire an additional branch, the Feasibility Studies Branch, from the Department of Industrial Operations. He was also considering the possibility of moving the Industrial Cooperation and Funds Mobilization Division to the same Department in order to facilitate coordination with the Industrial Investment Division, while moving the System of Consultations to the Department for Programme and Project Development, so that it could work more closely with the Industrial Policy and Perspectives Division. The terms of reference of the Environment Coordination Unit would also shortly be reissued, so as to delineate more clearly its responsibilities vis-à-vis other units in the Secretariat. In November 1992 he would be presenting for the consideration of the Board a new restructuring proposal, which should enter into effect on 1 January 1994. Basically, the proposal would entail reducing the five current Departments to three, thus simplifying structures, enhancing internal coordination, strengthening technical capacity and improving the country programme management system. The proposal would be prepared on the basis of further consultations between management and staff.

34. The reform of the organizational structure must be matched by changes in current operating policies and procedures. A key element in that endeavour was the improvement of project design and appraisal. UNIDO was, for instance, currently introducing the objectives-oriented project planning system originally developed by the German Agency for Technical Cooperation, which was used to good effect by other bilateral agencies. In addition to providing a logical framework and increasing the participation of the recipients in project planning, the approach was expected to improve project quality in terms of development impact, relevance, cost-effectiveness and sustainability. Following the success achieved with the system the previous year, the General Conference had recommended that the approach should be used, as far as was possible, for all projects. Every effort would be made to capitalize on the system, while at the same time endeavouring to improve overall programme and project quality through the systematic use of evaluation.

35. A system of periodic meetings with major donors had also been instituted, in order to facilitate the process of project negotiation and approval. Those efforts would continue in such crucial areas as the application of an integrated programme approach and the modification of the programme and project cycles. To that end, staff skills were being continually upgraded through workshops on project design and computer applications and through management development courses. Increasing the availability of such courses was one way of expressing his gratitude to staff for their unwavering commitment and dedication to the Organization.

36. The Organization had demonstrated its ability to provide services on a cost-competitive basis. The moral was that, even in the short term, UNIDO should focus on those areas of activities where it had a significant advantage, thus ensuring itself a stable source of income with which to support the staff essential for its technical operations. It was already carrying out procurement on behalf of the World Bank, and looked forward to expanding that area of activity both with the World Bank and with other agencies. Building on known strengths had also been the motive for the intensification of its joint activities with financial institutions in other fields. It was to be hoped that the income thereby earned would enable the Organization to cover the shortfall expected in the operational budget.

37. Another element of crucial importance to the future of UNIDO was increased cooperation with the private sector, which had been the direct outcome of the Organization's energetic investment promotion activities and innovative trust-fund projects. UNIDO relied to a great extent on private-sector companies in developing and developed countries to carry out its work. The private-sector companies commanded the technological, financial and managerial resources it needed, while, as an impartial agency, it could provide those companies with access to projects that offered commercial potential and good prospects of long-term industrial cooperation. Given that trend towards growing cooperation with the private sector, UNIDO would not only need staff members with broad private-sector experience, but also clear policy guidelines from Member States on how the Organization should proceed.

38. Its success in moving ahead with that agenda would hinge on the ability of Member States and the Secretariat to work together much more closely than in the past. Running the Organization was a shared responsibility that required the closest of partnerships. Much more could be achieved by UNIDO, were there to be a more effective system of governance by the policy-making organs, with the day-to-day management of the Organization left largely to the Secretariat. It was equally important to secure a stable financial environment. The Secretariat, for its part, had to continue to demonstrate its responsiveness to the needs of the Member States it served. As outgoing Director-General, his uppermost concern was to hand over a revitalized and efficient Organization to his successor. He was sure that that was a concern shared by all.

ORGANIZATION OF WORK

39. The PRESIDENT drew attention to the tentative schedule of work for the session, which had been agreed upon at the meeting of heads of delegations preceding the present plenary meeting. It was understood that, should the debate on an item be completed earlier than scheduled, the next item listed would be taken up immediately.

40. Mr. RIOBO (Chile) said that his delegation was able to accept the proposed tentative schedule of work only up to and including the third plenary meeting. It would state its position regarding subsequent meetings at a later date.

41. The PRESIDENT said that note would be taken of the position expressed by the delegation of Chile. With that proviso, he would assume that the Board agreed with the proposed tentative order in which agenda items would be considered.

42. It was so decided

43. The PRESIDENT suggested that, to achieve economies and ensure the effective utilization of conference-servicing resources, the Board might wish to suspend the quorum requirement laid down in rule 32 of the rules of procedure, as it had done at previous sessions. Under rule 80 of the rules of procedure, that decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If he heard no objection, he would take it that the Board wished to suspend, for its ninth session only, and with immediate effect, rule 32 of the rules of procedure on the understanding that the measure would apply only to meetings at which no substantive decision was to be taken.

44. It was so decided.

45. The PRESIDENT reminded the Board of the recommendations for the conduct of its business and rationalization of proceedings which it had made at its fifth session in decision IDB.5/Dec.46.

REPRESENTATION OF YUGOSLAVIA

46. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the States members of the European Community, said that the twelve member States had taken note of the declaration by the representatives of the People's Republic of Serbia and the Republic of Montenegro dated 27 April 1992, which stated that the Federal Republic of Yugoslavia continued "the state, international, legal and political personality of the Federal Socialist Republic of Yugoslavia". That declaration raised questions related to the continuity of Yugoslavia's membership of international organizations and conferences, including UNIDO, which were under consideration. As a matter of fact, the twelve States members of the European Community had not accepted the automatic continuity of the Federal Republic of Yugoslavia in international organizations and conferences, including UNIDO. At the current stage, they reserved their position on that question and considered that the participation of the delegation in question as an observer in the Industrial Development Board of UNIDO was without prejudice to future decisions which might be taken on that and related issues.

47. Mr. HART (Observer for Australia) drew the attention of the Board to the fact that the representatives of the Czech and Slovak Federal Republic, Finland, Hungary, Norway, Sweden, Switzerland, Turkey, the United States of America and his own country had sent a letter to the President of the Board on 18 May 1992 saying that they had taken note of the declaration by the representatives of the People's Republic of Serbia and the Republic of Montenegro dated 27 April 1992, which stated that the Federal Republic of Yugoslavia continued "the state, international, legal and political personality of the Federal Socialist Republic of Yugoslavia". That declaration raised questions related to the continuity of Yugoslavia's membership of international organizations and conferences, including UNIDO, which were under consideration. As a matter of fact, Australia, the Czech and Slovak Federal Republic, Finland, Hungary, Norway, Sweden, Switzerland, Turkey and the United States of America had not accepted the automatic continuity of the Federal Republic of Yugoslavia in international organizations and conferences, including UNIDO. At the current stage, they reserved their position on that question and considered that the participation of the delegation in question as an observer in the ninth session of the Industrial Development Board of UNIDO was without prejudice to future decisions which might be taken on that and related issues.

48. Mr. WOJAVA (Austria) said that the constitution of the Federal Republic of Yugoslavia was a further important step in the process of dissolution of the Socialist federal Republic of Yugoslavia referred to in opinion No. 1 of the Arbitration Committee of the European Community Conference on Yugoslavia. There was no legal basis for an automatic continuation of the legal existence of the former Socialist federal Republic of Yugoslavia by the federal Republic of Yugoslavia, which could thus not be considered as continuing the Yugoslav membership in UNIDO. The criteria to be applied in any future recognition of the Federal Republic of Yugoslavia should be those contained in the guidelines on recognition of new States adopted by the Council of the European Communities on 16 December 1991. In that regard, Austria drew special attention to the requirements of protection of human rights and the rights of ethnic groups. His delegation considered the presence of a delegation from Yugoslavia at the current session as without prejudice to future decisions which might be taken on that issue.

49. Mr. LAVROV (Russian Federation) said that his delegation took it that the statements made by other delegations did not affect the exercise by the Federal Republic of Yugoslavia of its rights and obligations as an observer and that they did not prejudge any decisions that might be taken regarding the participation of the federal Republic of Yugoslavia in international organizations.

50. Mr. MORAN (Observer for Canada) said that in a letter dated 5 May 1992 from the Permanent Representative of Canada to the United Nations addressed to the Secretary-General (A/45/909; S/23883), Canada had stated that it had taken note of the declaration by the representatives of the people of the Republic of Serbia and the Republic of Montenegro on 27 April 1992, announcing the creation of the Federal Republic of Yugoslavia. The Government of Canada had wished to place on record its view that the current participation of representatives of the Federal Republic of Yugoslavia in the United Nations General Assembly and other United Nations bodies was without prejudice to the eventual determination of the status of the Federal Republic of Yugoslavia. The Conference on Yugoslavia was currently addressing the issues of the continuity of and succession to the Yugoslav State. The Permanent Representative of Canada had requested that his letter should be circulated as a document of the General Assembly, under agenda item 68, and of the Security Council.

51. The PRESIDENT said that, if he heard no objection, pursuant to rule 77 (d) of the rules of procedure, he would give the floor to the observer occupying the place of the former Member State Yugoslavia to reply in accordance with rule 38 of the rules of procedure.

52. It was so decided.

53. Ms. DJURICKOVIC-IUVIC (Observer for Yugoslavia) said that on 27 April 1992 the Permanent Mission of Yugoslavia had announced that the Assembly of the Socialist Federal Republic of Yugoslavia had promulgated the Constitution of the Federal Republic of Yugoslavia. Under the Constitution, strictly respecting the continuity of the international personality of Yugoslavia, the Federal Republic of Yugoslavia was to continue to fulfil all the rights conferred on and obligations assumed by the Socialist Federal Republic of Yugoslavia in international relations, including its membership in all international organizations and participation in international treaties ratified or acceded to by Yugoslavia. The Federal Republic of Yugoslavia, as a founding Member of the United Nations, acknowledged its full commitment to the world organization, to the United Nations Charter and to the Conference on Security and Cooperation in Europe. The Federal Republic of Yugoslavia would continue to pursue Yugoslavia's foreign policy of the broadest possible equitable cooperation with all parties involved in international affairs, including its activities in the Non-Aligned Movement. It would cooperate with other participants in the Conference on Yugoslavia headed by Lord Carrington, in order, inter alia, to ensure a speedy and just distribution of the rights and responsibilities of the Socialist Federal Republic of Yugoslavia between the Federal Republic of Yugoslavia and the other republics. At the same time, it would enable those republics, if they so wished, to continue an independent membership in international organizations and participation in international treaties. Needless to say, the Yugoslav delegation would act in accordance with those decisions.

The meeting rose at 12 noon.